

MINUTES OF THE XXXIX MEETING OF THE EMPOWERED STEERING COMMITTEE (ESC) FOR IMPLEMENTATION OF THE MONTREAL PROTOCOL HELD ON 5TH MARCH, 2014 AT 3.00 P.M. IN ROOM NO. 402 (COMMITTEE ROOM), MINISTRY OF ENVIRONMENT AND FORESTS, PARYAVARAN BHAWAN, CGO COMPLEX, LODHI ROAD, NEW DELHI-110003

The XXXIX meeting of ESC for Implementation of the Montreal Protocol was held on 5th March, 2014 at 3.00 p.m. in Room No 402 (Committee Room), MoEF under the Chairmanship of Dr. V. Rajagopalan, Secretary (E&F). The list of participants is attached at *Annexure-I*.

The Chairman welcomed the participants to the XXXIX meeting of the ESC and requested the Member Secretary, Dr. A. Duraisamy, Director, Ozone Cell to present the agenda for consideration of the Committee. The following agenda was presented:

Agenda Item No. 1: Adoption of the Agenda.

The Committee adopted the agenda on the basis of the Provisional agenda.

Agenda Item No. 2: Confirmation of minutes of the XXXVIII meeting of the ESC held on 2nd September, 2013.

The minutes of XXXVIII meeting of the ESC held on 2nd September, 2013 were confirmed, as there were no comments received from the members of the Committee.

Agenda Item No. 3: Action taken on decision of the XXXVIII ESC.

Actions taken on the minutes of the XXXVIII meeting of the ESC were presented and noted by the Committee except item No. 2 with regard to the price issue of HCFC-22 in the light of comments received from CII. This issue was deferred for the XXXIX meeting of the ESC as CII was not present.

The Member Secretary informed the Committee that as per Rule 5 of the Ozone Depleting Substances (Regulation and Control) Rules, 2000 and its amendments, the import of HCFC-22 is allowed on the recommendations of the Ozone Cell, MoEF. However, there is a policy decision to restrict the import of HCFC-22 as it is domestically produced in sufficient quantities.

The Refrigeration and Air-Conditioners Manufacturers Association (RAMA) has been raising the issue of price of HCFC-22 in the domestic market since 2008. RAMA raised the same issue in the meeting held on 10th April, 2012 under the Chairmanship of Shri J. M. Mauskar, the then Special Secretary (E&F). Subsequently, this issue was discussed in the TFSC in its meeting held on 30th May, 2012. The TFSC recommended

that a national level consultative meeting of the stakeholders involving REGMA, RAMA, SMEs etc. may be convened to take a well informed decision. The issue of pricing was also discussed by the ESC in its XXXVII meeting held on 6th June, 2012. The ESC decided that in order to protect the interest of consumers, a consultative meeting of the stakeholders involving REGMA, RAMA, SMEs etc. may be convened by the Ozone Cell, MoEF to regulate the price issue, if any, between the international and domestic price of HCFC-22. Subsequently, CII submitted comments on the minutes of the XXXVII ESC meeting including the price issue of HCFC-22.

The comments of CII on this issue were considered. It was felt that since HCFC-22 was an Ozone Depleting Substance (ODS), the ESC has a mandate to take a view on the rationale behind the price difference between the domestically produced HCFC-22 and the imported HCFC-22.

The ESC decided that an audit of production of HCFC-22 may be undertaken by the Ozone Cell, MoEF for pricing of domestically produced HCFC-22. The Ozone Cell, MoEF may hire a consultant including reputed audit firms for carrying out such an audit and complete the same within 3 months. The ESC also decided to consider the issue of regulation of price differential, on receipt of the audit report in consultation with stakeholders.

Agenda Item No. 4: Consideration of the applications received for duty exemption in respect of new or expanded activities with non-ODS technology.

The ESC noted the recommendations of the Technology and Finance Standing Committee (TFSC) meeting held on 25th November, 2013. Chairman, ESC enquired about the logic in continuing the fiscal incentive scheme and the rationale behind the scheme in terms of expansion of production capacities of existing plants and their modernization.

The Member Secretary informed the Committee that the fiscal incentive scheme was introduced after the approval of the Union Cabinet in 1994, under which the ESC has been authorized to grant such fiscal incentives. Subsequently, the Ministry of Finance has notified the grant of concession of customs and excise duty tariff to enterprises for adopting substitutes to ODSs in the import policy. Such notification is included in the import policy every year. It was also informed that the TFSC after comprehensive review of each of the applications received, recommends eligible applications to the ESC for approval for issuance of customs and excise duty exemption certificate.

The Member Secretary further informed the Committee that the TFSC considers applications for fiscal incentives in terms of exemption of customs and excise duty for capital goods required for substitution of ODS to non-ODS technologies for the projects funded by Multilateral Fund (MLF) and establishment of new capacities including expansion of capacity with non-ODS technologies. It was mentioned that the customs and excise duty exemptions are only for capital goods needed for manufacturing of appliances/equipment with non-ODS technology and not for raw materials and consumables, also the exemptions are only for manufacturers and not for traders and consumers. It is as per the Ministry of Finance notification on goods required for (a) the substitution of ODSs (b) setting up of a new capacity with non-ODS technologies. This notification is being renewed every year by the Ministry of Finance.

The Member Secretary also informed the Committee that the MLF for the implementation of the Montreal Protocol provides only the incremental costs to enterprises for conversion from ODS technologies to non-ODS technologies but does not provide other costs like customs and excise duty for import of equipment needed for projects.

The Committee was apprised that the fiscal incentive scheme has been discussed several times by the ESC and reviewed in detail by a Sub-Committee of ESC in 2003, which recommended that the scheme should be continued.

The Committee was of the view that there doesn't appear to be a justification for continuation of the scheme for granting duty exemption to units undergoing expansion/modernization. Accordingly, the Committee decided to examine in detail, the need for continuance of the scheme. In particular, it may be specifically examined if the industries in question, given their financial resources, would have undertaken/would undertake such expansion/modernization even in the absence of financial incentives in the form of exemptions.

Agenda Item No. 5: Organization of the International Day for the Preservation of the Ozone Layer, 2013.

The Committee noted the organization of the International Day for the Preservation of the Ozone Layer for the year 2013.

The meeting ended with a vote of thanks to the Chair.

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LIST OF PARTICIPANTS OF THE XXXIX MEETING OF THE EMPOWERED STEERING COMMITTEE (ESC) HELD ON 5TH MARCH, 2014 AT 3.00 P.M. IN ROOM NO. 402 (COMMITTEE ROOM), MINISTRY OF ENVIRONEMNT & FORESTS, PARYAVARAN BHAWAN, CGO COMPLEX, NEW DELHI-110003

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